Economic Development Canada

ESTIMATES

For the period ending March 31, 2011

Departmental Performance Report

Denis Lebel

Minister of Transport, Infrastructure and Communities and
Minister of the Economic Development Agency of Canada
for the Regions of Quebec

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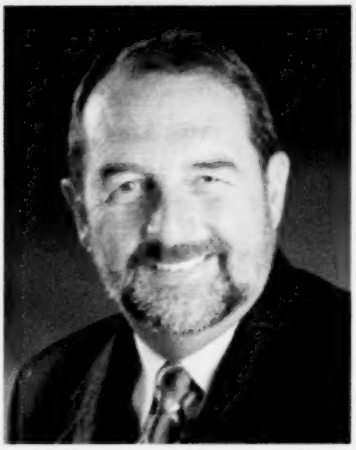
MESSAGE FROM THE MINISTER



I am pleased to sign this *Departmental Performance Report*, which presents the achievements of the Economic Development Agency of Canada for the Regions of Quebec and the outcome of its action.

In Canada and in Quebec, the economic downturn of the past few years has spared no area of activity. Previously sound sectors have shown signs of instability, while other already beleaguered sectors have been hit hard.

Faced with this difficult context, the Government of Canada quickly brought in an economic action plan comprising numerous initiatives aimed at re-energizing our economy. Canada was thus one of the industrialized nations least affected by the crisis and, consequently, one of the first to recover from it.

Over the past year, then, the Agency has continued to implement temporary initiatives in support of the most shaky regions and sectors in our economy. For instance, under the *Temporary Initiative for the Strengthening of Quebec's Forest Economies* (TISQFE), the Agency has supported secondary wood processing projects as well as forest community diversification projects.

The projects falling under *Canada's Economic Action Plan* (CEAP) that were implemented by the Agency have yielded tangible results. Through the *Community Adjustment Fund*, the Agency supported 231 projects between 2009 and 2011 to foster the creation and maintenance of employment in the hardest-hit communities. Through the *Recreational Infrastructure Canada* program, the Agency has supported 209 projects aimed at increasing recreational infrastructure construction activity and creating jobs.

As of March 31, 2011, in addition to CEAP-related projects, the Agency has supported the startup and continued implementation of some 1,000 development projects, building in particular on the development of enterprises' strategic capability, innovation, creation of SMEs and enhancement of regional assets. On average, each $1 invested by the Agency has generated $2.72 invested by promoters and other funding sources.

I am convinced that the government's action will be crucial in ensuring that the economic recovery continues and grows. I am proud of the Agency's intervention over the past year, and am convinced that it makes the Agency a significant agent of development in all regions of Quebec.

Denis Lebel
Minister of Transport, Infrastructure and Communities and Minister of the Economic Development Agency of Canada for the Regions of Quebec

1 AGENCY OVERVIEW

1.1 Raison d'être

Object

Under its Act, which came into effect on October 5, 2005, the object of the Agency is to promote the long-term economic development of the regions of Quebec by giving special attention to those where slow economic growth is prevalent or opportunities for productive employment are inadequate. In carrying out its object, the Agency shall take such measures as will promote co-operation and complementarity with Quebec and communities in Quebec.

Vision

In line with its object, the Agency aims for all Quebec communities and small- and medium-sized enterprises (SMEs) to participate to their full potential in the economy of tomorrow, building on their own assets. In the long term, they will be more competitive and innovative.

1.2 Responsibilities

Pursuant to its mandate, the Agency aims to increase communities' vitality and reinforce the competitiveness of Quebec's enterprises and regions. Through its 14 business offices and its advisors, it covers all areas of Quebec, where it acts primarily in relation to SMEs and non-profit organizations (NPOs). The Agency offers financial assistance directly to SMEs and NPOs, as well as information and accompaniment services, while referring clientele as required to other federal departments and agencies. The Agency also encourages communities in their mobilization and recovery efforts so as to help them diversify their economies.

In addition, the Agency fosters the economic development of rural and urban communities through its support for *Community Futures Development Corporations* (CFDCs), *Community Economic Development Corporations* (CEDCs) and *Business Development Centres* (BDCs).

Agency programs and initiatives in 2010-2011

Programs:

- *Community Diversification*
- *Business and Regional Growth*
- *Regional Development Study*

Canada-wide program implemented in Quebec by the Agency:

- *Community Futures Program*

Infrastructure programs:

- *Building Canada Fund*
- *Municipal Rural Infrastructure Fund*
- *Canada Strategic Infrastructure Fund*
- *Infrastructure Canada Program*

Ad-hoc initiatives:

- *Temporary Initiative for the Strengthening of Quebec's Forest Economies*
- *Linguistic Duality Economic Development Initiative*

***Canada's Economic Action Plan* initiatives**[1] (for further details on CEAP initiatives, see section 2.9):

- *Community Adjustment Fund*
- *Recreational Infrastructure Canada program*

Furthermore, *Canada's Economic Action Plan* (CEAP) provided the Agency with additional funding for 2009-2010 and 2010-2011. Used as an economic stimulus, this funding was intended to create employment opportunities and implement adjustment measures in communities affected by the economic downturn. CEAP primarily includes the *Recreational Infrastructure Canada* (RInC) program and the *Community Adjustment Fund* (CAF) initiative, which is delivered through the *Community Diversification* and *Business and Regional Growth* programs.

[1] These are the two main CEAP initiatives implemented by the Agency. Under CEAP, the Agency has also implemented the following initiatives: the *Contribution program to supply the Municipality of Shannon with drinking water*, the *Business Canada Network* and Université Laval's *Pavillon de l'éducation physique et des sports* (sports and physical education facility).

1.3 Strategic outcome and Program Activity Architecture (PAA)

To fulfil its mandate, the Agency aims to attain the strategic outcome: *A competitive and diversified economy for the regions of Quebec.* The following table presents the Agency's PAA and shows the full framework of program activities and subactivities, as well as their contribution to the strategic outcome.

Strategic outcome	Program activities	Program subactivities	Internal services
A competitive and diversified economy for the regions of Quebec	*Community development*	• *Community mobilization* • *Local and regional enterprises* • *Tourism and community facilities*	*Governance and management support* *Resource management services* *Asset management services*
	Infrastructure	• *Water quality* • *Roads and public transit* • *Urban or regional projects* • *Special infrastructure-dedicated programs*[2]	
	Special intervention measures	• *Community adjustment to economic shocks*[3] • *Community adjustment to natural disasters* SOLELY AS REQUIRED, AD-HOC FUNDING	
	Enterprise competitiveness	• *Enterprises' strategic capability* • *Strategic enterprises*	
	Competitive positioning of sectors and regions	• *Growth poles* • *International promotion of regions*	
	Policies, programs and initiatives	• *Analysis and research* • *Policies and programs* • *Representation, influence and collaboration*	

[2] In 2010-2011, the *Special infrastructure-dedicated programs* subactivity comprised CEAP-related measures. These included RInC and the *Contribution program to supply the Municipality of Shannon with drinking water.*

[3] In 2010-2011, the CAF came under the *Community adjustment to economic shocks* program subactivity.

1.4 Departmental priorities

During FY 2010-2011, the Agency met the expectations of its seven priorities.

Priority	Type	Links to program activities
Facilitate communities' adjustment to economic shocks	Priority previously committed to during 2009-2010	*Infrastructure, Special intervention measures*
Status:[4] *Met all expectations*		

- Between 2009 and 2011, the Agency supported 231 projects through the CAF for which contribution expenditures amounted to $81 million. Also under this initiative, seven Canada-Quebec Agreements – *Job Creation Initiatives* were also implemented. The Agency provided $119 million under these agreements.
- Since the RInC program began in 2009-2010, the Agency has supported 209 projects for which contributions of some $62 million were made.

Priority	Type	Links to program activities
Support the economy of tomorrow by strengthening SMEs' productivity and performance	New priority – Committed to during 2010-2011	*Enterprise competitiveness*
Status: *Met all expectations*		

- To support the economy of tomorrow, the Agency contributed to strengthening SMEs' productivity and performance by concluding 169 new contribution agreements in 2010-2011, for $160.6 million in authorized financial assistance. These represent new projects building on strengthening the commercialization of innovation and creating innovative enterprises.

Priority	Type	Links to program activities
Support communities' development	Priority previously committed to during 2009-2010	*Community development*
Status: *Met all expectations*		

- In 2010-2011, the Agency focussed on supporting projects likely to mitigate socio-economic difficulties and facilitate the economic diversification of communities and regions by concluding 144 new contribution agreements, for $73.7 million in authorized financial assistance. These represent new projects aimed at supporting the creation of viable SMEs of local or regional scope, and projects contributing to increasing communities' attraction capability through the development of a distinctive tourism offering and the presence of community facilities.

[4] In this *Departmental Performance Report* (DPR), a performance index is associated with each priority and with each performance indicator linked to program activities. The performance rating, defined by the Treasury Board of Canada Secretariat, consists of the following levels: *Exceeded expectations*; *Met all expectations*; *Mostly met expectations*; *Somewhat met expectations*; and *Not met expectations*. The definitions are presented in Appendix 2 of the DPR: www.dec-ced.gc.ca/eng/publications/agency/rmr.html.

Priority	Type	Links to program activities
Support regional economic development stakeholders' decision-making processes	Priority previously committed to during 2009-2010	*Policies, programs and initiatives*

Status: *Somewhat met expectations*

- Following the call for proposals issued in fall 2009 for the completion of studies on changes in the manufacturing sector, an analysis of all the proposals received was carried out by an evaluation committee consisting of representatives of private agencies and Agency advisors.
- In 2010-2011, the Agency concluded five contribution agreements in support of regional development study projects, representing $315,000 in authorized financial assistance.
- The dissemination of knowledge on the challenges, issues and best practices in regional development will be carried out once the study projects are completed.

Priority	Type	Links to program activities
Increase analysis and sharing of performance information	Priority previously committed to during 2009-2010	*Internal services*

Status: *Mostly met expectations*

- Over the past year, the Agency continued to implement its performance measurement strategy. It provided reliable performance data, contributing to policy design, drafting of the summative evaluation of the *Community Diversification* and *Business and Regional Growth* programs, and completion of the 2010 strategic review.
- The performance data provided and the subsequent analysis conducted also influenced the renewal of the Agency's *Strategic Framework* and Program Activity Architecture. Over the next few years, the Agency will be placing greater emphasis on broader internal circulation of program performance data, so as to foster greater ownership of results-based management throughout the Agency.

Priority	Type	Links to program activities
Continue integrating risk management into decision-making	Priority previously committed to during 2009-2010	*Internal services*

Status: *Met all expectations*

- In line with the requirements of the *Management Accountability Framework*, the Departmental risk profile was updated and integrated with the RPP and DPR 2010-2011 (see section 1.5), and with the Agency's integrated planning process and *Governance Framework*.
- With a view to the deployment of a new risk-based claims processing procedure aimed at contributing to reducing the administrative burden on promoters, a pilot project was completed. The statistical model and the technological solution adopted in the short term were tested.

Priority	Type	Links to program activities
Renew the Agency's policy directions	New priority – Committed to during 2010-2011	*Internal services*
Status: *Met all expectations*		
• A dedicated team, supported by a directors' committee, has drawn up a new strategic framework for the Agency, as well as a draft Program Activity Architecture, both of which will come into effect in 2012. Agency employees were consulted within the framework of this work.		

1.5 Risk analysis

To attain its results, the Agency has to have an overview of the changing factors that have an impact on its environment and to integrate these factors into its decision-making processes so as to respond more effectively to the needs of Quebec enterprises, communities and regions.

External risks

While the recent recession was less marked in Quebec and Canada than in most industrialized countries, the economic recovery has proven to be just as fragile there.

On the one hand, the challenges presented in the Agency's RPP 2010-11 concerning the competitiveness and restructuring of the manufacturing sector remain. The fragility of the U.S. economy has had an impact on the volume of exports of many Quebec enterprises. The strong Canadian dollar, while allowing enterprises to acquire imported equipment at lower cost, has reduced exporting manufacturing firms' profit margins and brought down the prices of imported products. In the face of growing competition from emerging nations, many Quebec manufacturing enterprises are choosing to abandon some of their activities. For some communities, this situation translates into the disappearance of enterprises and job losses.

On the other hand, the risks presented in the RPP 2010-11 concerning the decline in consumer spending and the postponement of private investment did not materialize. Consumers and enterprises remained confident despite the economic uncertainty, and took advantage of low interest rates to consume and invest more than the previous year.

In this context, the effort invested by the Agency over the past two years in delivery of CEAP combined with SMEs' efforts to enhance their competitiveness contributed to attaining the Government of Canada's priorities.

Internal risks

Over the past year, the Agency conducted follow-up on its key risk profile. This presented the risk sectors most likely to affect attainment of the Agency's expected results and its performance in terms of the effectiveness and efficiency of management practices. The Agency implemented and conducted follow-up on the mitigation strategies established in its risk profile.

Key corporate risks[5]	Mitigation strategies implemented
Governance Draft relevant corporate policy directions in time for program renewal	• Planning and implementation of the work to renew the *Strategic Framework* and programs, as well as implementation tools. • Establishment of a dedicated team to co-ordinate the work.
Performance Strengthen data reliability to support informed decision-making	• Development of a control and data processing capability through the use of automated tools, leading to a reduction in manual processing. • Establishment of control mechanisms, such as monthly diagnoses, aimed at measuring the overall performance of the Agency's program activities.
Risk management Integrate risk management into activity planning, from decision-making to reporting	• Update of the Departmental risk profile and integration with the Agency's RPP and DPR 2010-2011, the integrated planning process and governance framework. • Following the matching of risk management with integrated planning and the establishment of a committee of directors general, undertaking of more frequent follow-up on risks by senior management.
Information management Manage information-based resources and their security	• Continuation of the pilot project on the use of security keys for electronic documents and emails. • Design of an in-house security awareness program and dissemination of information to employees concerning government policy on security and the protection of information. • Continued dissemination of information to employees concerning information management.
Internal control Strengthen oversight of program delivery and management of corporate finances	• Establishment of a new risk-based claims processing procedure. A pilot project involving five business offices was carried out, and a first version of the new procedure will be deployed in 2011-2012.

[5] These risks are associated with attainment of the results of PAA program activities.

1.6 Performance summary

This section provides an overview of planned and actual financial resources (grants and contributions, and operations) and human resources expressed as full-time equivalents (FTEs), along with a summary table portraying the Agency's performance in 2010-2011.

Financial resources for 2010-2011 *(in thousands of dollars)*

Planned spending	Total authorities	Actual expenditures
463,350	537,329	480,006

Variance between planned spending and total authorities

The variance between planned spending and total authorities is primarily attributable to the awarding of new funding for: support for vulnerable communities, through the *Community Diversification* and *Business and Regional Growth* programs; the *Community Futures Program* (CFP); the *Infrastructure Canada Program* (ICP); and for implementation of the *Temporary Initiative for the Strengthening of Quebec's Forest Economies* (TISQFE). The reprofiling of funding for the *Recreational Infrastructure Canada* (RInC) program from 2009-2010 to 2010-2011 also contributed to increasing the variance.

Variance between total authorities and actual expenditures

Most of the authorities obtained for 2010-2011 were used. Most of the unspent funding, in particular for RInC, the TISQFE, the *Support Initiative for International Cruise Development*, the *Linguistic Duality Economic Development Initiative* and the Montreal Planetarium project, was carried forward to 2011-2012.

Human resources for 2010-2011 *(FTEs)*

Planned resources	Actual resources	Variance
417	442	25

The variance of 25 FTEs primarily represents additional resources hired to deliver the programs and initiatives for which new funding was awarded, as listed above, and to meet the Agency's operational needs.

Strategic outcome: *A competitive and diversified economy for the regions of Quebec*

Performance indicators	Five-year target (2007-2008 to 2011-2012)	Performance 2010-2011[6]
Impact of dollars invested by the Agency on GDP and employment Survival rate and sales of SMEs supported by the Agency	The competitiveness and economic diversification of Quebec regions are maintained or increased.	**Leverage effect:**[7] The amount of multiyear financial assistance approved by the Agency for supporting Quebec communities and SMEs stood at $685.7 million and generated $1.86 billion in investment by promoters and other funding sources. $1 from the Agency = $2.72 in investment by the promoter and other funding sources **Incentive aspect of assistance:** The evaluation of the *Community Diversification* and *Business and Regional Growth* programs indicates that without the assistance received from the Agency, it would have been impossible to carry out most of the projects. **Survival rate:**[8] Enterprises receiving Agency assistance posted a higher survival rate than comparable enterprises. Thus, close to three quarters of enterprises assisted in 2002 were still in operation seven years later (2009), compared with 68.5% for enterprises in the control group. **Sales:** During the period 2002-2009, enterprises which received financial support from the Agency posted stronger sales growth performance than a control group consisting of comparable enterprises which did not receive Agency support. Thus, the sales of Agency-supported enterprises rose by 72% between 2002 and 2009, whereas those receiving no Agency support saw their sales increase by 47%.

[6] This is based on performance information available in 2010-2011. Thus, the leverage effect is calculated on the basis of projects in progress in 2010-2011, that is, projects for which an expenditure was made during the year. As to data on SMEs' survival rate and sales, since these are results observable after projects are completed, they are calculated on the basis of projects supported by the Agency between 2002 and 2008, under the old IDEA-SME program and the *Business and Regional Growth* program.

[7] The leverage effect presented in this Report, as calculated by the Agency, compares financial assistance approved by the Agency with funding from the promoter and other funding sources. The leverage effect excludes funding associated with CEAP and the *Infrastructure* program activity.

[8] The data presented on enterprises' survival rate and sales come from the study: *Agence de développement économique du Canada pour les régions du Québec, Étude d'impact économique (Economic impact study) 2002-2008*, Statistics Canada, May 2011.

Strategic outcome: *A competitive and diversified economy for the regions of Quebec (cont'd)*

(in thousands of dollars)		2010–2011[9]				Link to Government of Canada performance
Program activities	2009-2010 Actual expenditures	Main Estimates	Planned spending	Total authorities[10]	Actual expenditures	
Community development	***140,750***	***136,812***	***136,811***	***152,414***	***136,939***	Strong economic growth
Regular programs	*137,527*	*136,812*	*136,811*	*151,664*	*135,662*	
CEAP initiative: PEPS	*3,223*	–	–	*750*	*1,277*	
Infrastructure	***20,982***	***53,298***	***82,486***	***100,891***	***79,161***	Strong economic growth
Regular programs	*12,427*	*1,616*	*824*	*16,087*	*11,267*	
CEAP initiative: RInC	*2,118*	*44,337*	*74,317*	*77,896*	*60,986*	
CEAP initiative: Shannon	*6,437*	*7,345*	*7,345*	*6,908*	*6,908*	
Special intervention measures	***99,482***	***105,171***	***110,171***	***107,807***	***108,511***	Strong economic growth
CEAP initiative: CAF	*99,482*	*105,171*	*110,171*	*107,807*	*108,511*	
Enterprise competitiveness	***69,847***	***73,759***	***73,759***	***107,749***	***86,375***	Strong economic growth
Regular programs	*67,972*	*73,759*	*73,759*	*105,871*	*84,501*	
CEAP initiative: CBN	*1,875*	–	–	*1,878*	*1,874*	
Competitive positioning of sectors and regions	***37,529***	***33,540***	***33,541***	***39,847***	***39,413***	Strong economic growth
Regular programs	*37,529*	*33,540*	*33,541*	*39,847*	*39,413*	
Policies, programs and initiatives	***5,611***	***5,271***	***5,271***	***5,000***	***5,712***	Strong economic growth
Regular programs	*5,611*	*5,271*	*5,271*	*5,000*	*5,712*	
Internal services[11]	***23,854***	***21,312***	***21,311***	***23,621***	***23,895***	
Total	***398,055***	***429,163***	***463,350***	***537,329***	***480,006***	

[9] Main Estimates are tabled in Parliament prior to the start of the fiscal year. Planned spending comprises the Main Estimates as well as additional authorities at the time of publication of the *Report on Plans and Priorities*. Total authorities therefore represent Main Estimates plus Supplementary Estimates for the year ending March 31, 2011. The Agency's total actual expenditures correspond to actual expenditures as indicated in the Public Accounts.

[10] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

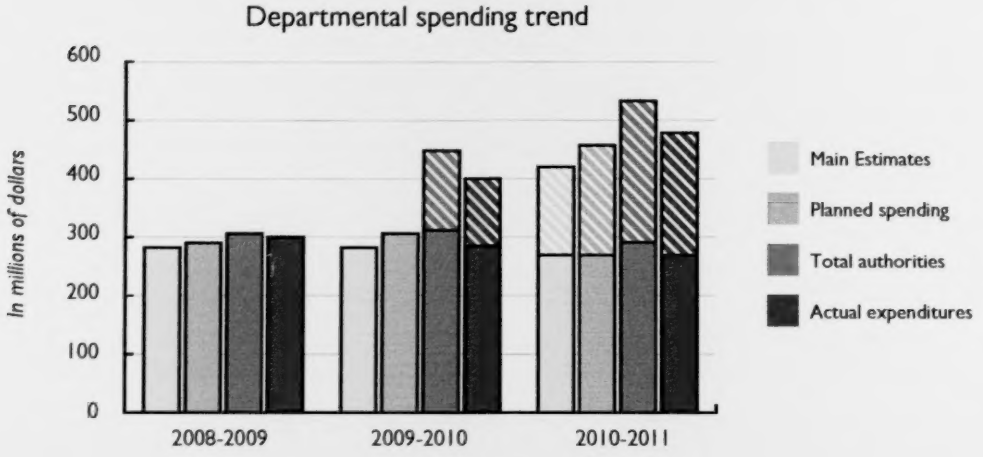
The 21% rise in expenditures between 2009-2010 and 2010-2011 is attributable to the increased spending associated with CEAP initiatives during the second year of implementation. Explanations concerning the expenditures made under CEAP initiatives are presented in the *Canada's Economic Action Plan* subsection of section 1.7.

1.7 Expenditure profile

The Agency's actual expenditures for 2010-2011 stood at $480 million, including operating expenditures.

The Agency's actual expenditures in grants and contributions amounted to $424.1 million, including $227.7 million for regular programming and $196.4 million for CEAP.

The figure below shows the Agency's spending trend over the past three years. The hatched part of the last two columns for 2009-2010 represents the CEAP portion of total authorities and actual expenditures. The hatched part of the four columns for 2010-2011 represents the CEAP portion included in the Agency's Main Estimates, planned spending, total authorities and actual expenditures.



[11] Since the 2009-2010 Estimates cycle, resources allocated to the *Internal services* program activity have been shown separately from those for other program activities, and are no longer broken down among other program activities, as was the case in previous Main Estimates. This measure has an impact on the comparability of expenditures and information concerning FTEs for each program activity between different fiscal years.

Explanation of variance

For 2009-2010, the variance between planned spending and total authorities is primarily attributable to the implementation of CEAP. For 2010-2011, total authorities also exceeded planned spending. This variance is largely attributable to the additional authorities granted, including funding for:

- implementation of the TISQFE;
- support for Quebec's vulnerable communities, through the *Community Diversification* and *Business and Regional Growth* programs;
- continuation of the *Community Futures Program* (CFP);
- support for the competitiveness of SMEs and the growth of sectors and regions, through the *Business and Regional Growth* program;
- improvement of water quality and local transit, to generate regional economic spinoffs, through the ICP;
- support for construction activities associated with recreational infrastructure, through RInC.

In 2010-2011, the Agency spent close to 89% of the authorities obtained. The variance between actual expenditures and authorities stems from the difficult economic situation, leading to requests to carry forward funding, in particular for RInC and the TISQFE.

Canada's Economic Action Plan

Over the past two years, the Agency obtained $347.8 million in funding to support CEAP. In 2010-2011, total CEAP-related actual expenditures stood at some $202.3 million,[12] totalling $314.9 million in expenditures since CEAP began. Initiatives implemented under CEAP terminated on schedule on March 31, 2011, except for RInC, which terminates on October 31, 2011.

From within the funding awarded to the Agency, $208 million was assigned by the Agency for the *Community Adjustment Fund*. This economic stimulus initiative was aimed at mitigating the impact of the economic downturn in the short term by contributing to the creation and maintenance of jobs, while meeting challenges with respect to transition and community adjustment. In 2010-2011, the Agency spent $108.5 million for the CAF, bringing total spending for the past two years to $207.5 million.[13]

[12] A sum of $35 million from the authority received for RInC was converted in order to set up the TISQFE. This new measure, which is not part of CEAP, was launched on June 17, 2010 to strengthen and increase economic activity in forest communities in order to create and maintain employment there, paying special attention to SMEs established in those communities. In all, $22.8 million was spent in 2010-2011 for this initiative, which will be in effect until March 31, 2013. This amount is included in total actual CEAP expenditures for 2010-2011, in view of the funding source.

[13] Expenditures associated with the CAF are included in expenditures for the *Special intervention measures* program activity.

RInC[14] is a Canada-wide initiative aimed at contributing to mitigating the impact of the global recession by increasing the total value of construction activities associated with recreational infrastructure. Actual expenditures associated with this initiative in 2010-2011 were some $61 million, on top of the $2.1 million spent in 2009-2010. Some $16 million in spending is planned in 2011-2012 under the extension of RInC.

In 2010-2011, the Agency also spent $6.9 million for the *Contribution program to supply the Municipality of Shannon with drinking water* (in addition to the $6.4 million spent the previous year); $1.9 million (added to the same amount spent in 2009-2010) for Info entrepreneurs[15] in Montreal and Ressources Entreprises[16] in Quebec City, the two Canada Business Network (CBN) service centres for Quebec; and $1.3 million for Université Laval's PEPS sports and physical education facility, *Pavillon de l'éducation physique et des sports* (added to the $3.2 million spent in 2009-2010).

1.8 Estimates by vote

Information on the Agency's organizational votes and statutory expenditures is presented in the *Public Accounts of Canada 2010* (Volume II). An electronic version of the Public Accounts may be found on the Public Works and Government Services Canada Web site under *Public Accounts of Canada 2010*.[17]

[14] Expenditures associated with RInC and the *Contribution program to supply the Municipality of Shannon with drinking water* are included in expenditures for the *Infrastructure* program activity.

[15] www.infoentrepreneurs.org

[16] www.ressourcesentreprises.org/Home.aspx

[17] www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html

2 ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

This section provides information on the Agency's strategic outcome, challenges and program activities.

2.1 Strategic outcome: *A competitive and diversified economy for the regions of Quebec*

This strategic outcome reflects the object of the *Act establishing the Economic Development Agency of Canada for the Regions of Quebec*: to promote the development and diversification of the economy of the regions of Quebec.

> The Agency's contributions to Quebec communities and SMEs generate a leverage effect of 2.72. The $685.7 million approved in multiyear financial assistance generates $1.86 billion in investment by promoters and other funding sources. The Agency's leverage effect was thus higher than in 2009-2010, when it stood at 2.59.

Challenges associated with the strategic outcome

For communities

The economy of many Quebec communities located far from major urban centres is undiversified and based primarily on the harvesting of natural resources. Owing to their heavy dependency on a small number of industries or sectors, these communities are more sensitive to economic fluctuations. Thus, having experienced a recession, they were hard hit by the fragility of the economic recovery. For these communities, diversification of their economy has been the main challenge.

Over the past year, the Agency has thus continued to help Quebec communities in their effort to increase the dynamism of the economy, notably by supporting projects concerning diversification, entrepreneurial development, infrastructure, promotion of assets and mobilization of regional stakeholders.

For SMEs

Enterprises operate in a context of globalization. Competition from emerging nations generates downward pressure on prices and profit margins, and forces SMEs to turn toward higher value-added production.

In this context, Quebec's SMEs are seeking to adapt, particularly with respect to productivity, market development and commercialization of new products.

Over the past year, the Agency thus continued to help Quebec SMEs in their growth and competitive positioning efforts, notably by supporting projects involving increasing production and innovation capability, market development, commercialization and structuring of sectors.

Program activities in line with the strategic outcome

In line with its strategic outcome, the Agency intervenes in six areas of activity:

- *Community development*
- *Infrastructure*
- *Special intervention measures*
- *Enterprise competitiveness*
- *Competitive positioning of sectors and regions*
- *Policies, programs and initiatives*

These program activities are implemented in the form of financial assistance and development support service accessible through the 14 business offices and an Infrastructure Directorate. In addition, to support the design and implementation of policies and programs, the Agency analyses the needs of Quebec regions and communities with respect to economic development, in conjunction with its federal and Government of Quebec partners.

Program activities contribute to the attainment of one of the outcomes targeted by the Government of Canada: Strong economic growth. Indeed, observations drawn from the formative evaluation of the *Community Diversification* and *Business and Regional Growth* programs show that the Agency's two principal programs are aligned with government priorities, and are complementary to intervention from the different levels of government.[18]

In this *Departmental Performance Report*, each program activity has a descriptive section, a section presenting the performance summary and analysis of the program activity, and a section on lessons learned.

In the section presenting the performance summary, two types of performance information are available. First, information is presented on projects for which the Agency made an expenditure in 2010-2011, whose results presented are directly in line with expenditures made during that same year. There is also information on the final results targeted by projects funded and terminated prior to 2010-2011, for which it was possible to gather information on results obtained over a longer term. These results are associated with expenditures made prior to 2010-2011.

[18] The formative evaluation report on the *Community Diversification* and *Business and Regional Growth* programs is available on the Agency's Web site: www.dec-ced.gc.ca/eng/publications/agency/evaluation/205/about.html.

2.2 Program activity: *Community development*

Description of program activity

This program activity enables Quebec regions and communities to maintain and develop their economic activity base by building on their own assets.

Three objectives underpin this program activity. The first, *Community mobilization*, fosters communities' development and increases their mobilization by drawing up visions and projects of local and regional scope. The second, *Local development*, assists communities through support for entrepreneurship and creation or maintenance of viable enterprises. The third, *Attractive communities*, increases communities' ability to attract tourists and skilled individuals.

This program activity is primarily targeted at SMEs and NPOs. Two grants and contributions programs support this program activity: the *Community Diversification* program and the (Canada-wide) *Community Futures Program.*

2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[19]	Actual expenditures	Planned resources	Actual resources	Variance
136,811	*152,414*	*136,939*	*100*	*100*	*0*

Total authorities are 11% higher than planned spending. This variance is primarily attributable to the awarding of new funding for supporting vulnerable communities, through the *Community Diversification* program, and reinforcing communities' ability to diversify their economic base, through the CFP and the TISQFE.

The 11% variance observed between total authorities and actual expenditures is primarily attributable to the reprofiling of funding for such initiatives as the *Support Initiative for Development of International Cruises* and the *Linguistic Duality Economic Development Initiative*, and the *Montreal Planetarium* project.

[19] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Program activity expected results	Performance indicators	Targets[20]	Performance status[21]
Communities have capabilities for socio-economic adjustment, and support for emergence of new entrepreneurs and development of local and regional enterprises.	Number of communities engaged in mobilization process	30	Exceeded expectations (55)
	Number of local and regional enterprises being developed, maintained or established	300	Exceeded expectations (420)
Regions attract tourists and investment, and this generates economic spinoffs within communities.	Number of tourism products and services being developed, expanded or upgraded	60	Exceeded expectations (118)
	Number of tourism products and destinations being commercialized	40	Exceeded expectations (72)
	Number of major community and tourism facilities being developed, expanded or modernized	12	Mostly met expectations (11)
	Number of new or improved growth-generating tourism projects	8	Exceeded expectations (12)

Performance summary and analysis of program activity

Over the past year, low interest rates and the different governments' recovery plans contributed to the economic recovery. On the other hand, the strong Canadian dollar, difficulties in the U.S. real estate market and the fragile U.S. economy detracted from the recovery. Quebec's communities were affected, each in their own way, by the fragility of the recovery, while their enterprises had to deal with low demand. Despite this context, the performance obtained by the Agency in 2010-2011 with respect to the *Community development* program activity surpassed most expectations. It also met one of the Agency's priorities in 2010-2011, that of *Supporting community development.*

The total value[22] of the 445 projects under this program activity in 2010-2011 stood at $1.3 billion. A total of $364.3 million came from the Agency on a multiyear basis. The leverage effect was therefore 2.46, almost identical to the figure in 2009-2010, meaning that for each $1 invested by the Agency, $2.46 was invested by the promoter and other funding sources.

[20] CFP performance targets are not included.

[21] In this DPR, a performance index is associated with each priority and with each performance indicator linked to program activities. The performance rating is defined by the Treasury Board of Canada Secretariat and consists of the following levels: *Exceeded expectations*; *Met all expectations*; *Mostly met expectations*; *Somewhat met expectations*; and *Not met expectations*. The definitions are presented in Appendix 2 of the DPR: www.dec-ced.gc.ca/eng/publications/agency/rmr.html.

[22] The total value of projects includes financial assistance awarded, on a multiyear basis, by the Agency and other partners, as well as other funding sources.

Community mobilization

Performance observed from projects funded in 2010-2011

The Agency supported 55 Quebec communities in their mobilization efforts, more than double its target. The Agency's support was aimed at developing their capabilities for consultation, planning and implementation of development and diversification initiatives.

Among communities supported by the Agency:

Diversification of the Shawinigan economy — Fonds de développement économique Laprade[23]

Description: Following the announcement of the closing of the AbitibiBowater Belgo and Rio Tinto Alcan facilities, representing the loss of hundreds of jobs, a diversification and development committee was set up. Feasibility studies were conducted for the use of one mill's facilities, along with diagnoses and accompaniment of SMEs.

Agency contribution: The Agency provided $220,000 in financial support out of a total cost of $410,000 for the hiring of a co-ordinator for the committee's activities. The Agency also provided non-financial support by participating in the committee's activities, notably by drawing up a communication protocol. In addition, the Agency played a mobilization role by co-ordinating and participating in several ad-hoc initiatives from the community.

Main results: The committee's activities led to the development of a shared development vision by community stakeholders and the drawing up of a development plan with targeted niches. Some 30 initiatives and projects from NPOs and SMEs were supported through this development plan.

Local and regional enterprises

Performance observed from projects funded in 2010-2011

In 2010-2011, the Agency supported the creation, maintenance or development of 420 enterprises of local or regional scope, surpassing performance expectations compared with the target established in the RPP 2010-2011. The Agency also supported projects which enabled 878 individuals to receive entrepreneurship services.

The joint contributions of the Government of Canada and the Quebec government under CEAP initiatives probably contributed indirectly to the maintenance of local and regional enterprises. Many projects had a ripple effect on the economies of communities through the procurement of products and services from local enterprises.

[23] This is an example of a project used in the case studies conducted for the summative evaluation of the *Community Diversification* program. The evaluation report will be completed in 2011-2012.

Extent of achievement of targeted final results

Despite the economic context of the past few years, the Agency has observed that two years after the end of the funding provided, 70% of SMEs assisted since 2007 have maintained or increased their sales.

Tourism and community facilities

The tourism industry was characterized over the past few years by a marked decline in tourism, a Canada-wide phenomenon. The strong Canadian dollar probably had an impact on the number of tourists from outside the country.

Performance observed from projects funded in 2010-2011

In 2010-2011, the Agency supported 118 projects targeting the development, expansion or enhancement of tourism properties and services, double its target. The Agency also supported 72 projects for commercialization of tourism products and destinations, as well as 12 new or improved growth-generating tourism projects, including the *Montreal Grand Prix*. The number of tourists from outside Quebec at this three-day event was estimated at 128,000, along with economic spinoffs of between $70 million and $100 million.

The Agency also supported projects targeting the development, expansion or modernization of 11 major community and tourism facilities. This included projects for deployment of broadband networks and projects to develop rail and airport infrastructure.

Extent of achievement of targeted final results

Once in place, many community and tourism facilities generated an increase in visitors. For instance, in Saguenay, 23,000 passengers and crew members benefited in 2009 from the new international cruise hosting facilities.

Community Futures Program

Under the *Community Futures Program* (CFP), the Agency provided financial support to local and regional development agencies, specifically the 57 CFDCs located in designated rural regions, the 14 CEDCs in underprivileged urban areas and the 10 BDCs in peri-urban areas. In 2010-2011, the Agency spent $44 million to support these organizations.

As of March 31, 2011, CFDCs had achieved the following results through their current projects:

- a total of $255.6 million invested in startup enterprises
- 1,964 jobs created in the 612 enterprises created
- 14,677 jobs created and maintained in the 1,389 expanding enterprises
- 4,471 enterprises in acquisition, recovery, expansion or modernization received guidance services

Temporary Initiative for the Strengthening of Quebec's Forest Economies

Of the 445 projects supported which come under the *Community development* program activity, the Agency funded, through the TISQFE,[24] 29 projects from communities affected by the forestry crisis, for a total of $6.7 million in contribution expenditures. These primarily involve projects aimed at the creation and development of local and regional enterprises, but also projects for community mobilization and development of the tourism offering.

Economic development initiative

Through the EDI[25] dedicated to Quebec's official language minority communities, the Agency over the last year also supported 16 diversification and entrepreneurship projects from English-speaking communities, for a total of $2 million in contribution expenditures.

Canada's Economic Action Plan initiative

The Université Laval physical education and sports facility (*Pavillon de l'éducation physique et des sports*, or PEPS) is a CEAP initiative that comes under the *Community development* program activity. Over the past year, the Agency spent $1.3 million for this initiative. Detailed information on financial resources and on the performance of the PEPS is presented in section 2.9 (Summary of *Canada's Economic Action Plan* initiatives).

Lessons learned

In the context of a fragile economy, concerted action with the different economic development agents is important. Within the framework of projects targeting community development, the Agency therefore optimized its collaboration with the Quebec government, other federal departments and its other partners in order to maximize all stakeholders' efforts.

[24] www.dec-ced.gc.ca/eng/programs/forest/index.html
[25] www.dec-ced.gc.ca/eng/programs/duality/index.html

2.3 Program activity: *Infrastructure*

Description of program activity

This program activity helps upgrade urban and rural municipal infrastructure in Quebec and enhance citizens' quality of life by investing in projects that improve the quality of the environment, sustain long-term economic growth, upgrade community facilities and establish 21st-Century infrastructure through the adoption of the best technology, new approaches and best practices.

In conjunction with the provinces, territories and municipalities, as well as First Nations and the private sector, the Government of Canada has implemented different joint infrastructure programs. The Agency has the special mandate to manage the Canada-Quebec Agreement concerning infrastructure programs. Projects that contribute to attaining the program objectives are those which improve water quality, find solutions to the problem of wastewater discharge, foster the safe movement of individuals and goods, improve public transit and help enhance citizens' quality of life through the construction of infrastructure, facilities or buildings with urban or regional economic impact.

This program activity is primarily targeted at municipalities and NPOs and is based on the ICP (contribution program).

2010-2011

Financial resources *(in thousands of dollars)*[26]			Human resources *(FTEs)*		
Planned spending	Total authorities[27]	Actual expenditures	Planned resources	Actual resources	Variance
82,486	*100,891*	*79,161*	*16*	*12*	*(4)*

Total authorities were 22% higher than planned spending. This increase is attributable to a reprofiling of funding, unused in 2009-2010, for the ICP and the RInC program.

Actual expenditures for 2010-2011 were 22% lower than the authorities obtained. Actual expenditures depend on progress in the completion of infrastructure projects. Under agreements signed with the Government of Canada, the Quebec government is the implementing authority for most infrastructure programs.

[26] These are 2010-2011 financial resources for the entire *Infrastructure* program activity, and therefore include financial resources for RInC and the *Shannon* program.

[27] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Canada's Economic Action Plan initiatives

INITIATIVE: *RECREATIONAL INFRASTRUCTURE CANADA*
2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[28]	Actual expenditures	Planned resources	Actual resources	Variance
74,317	*77,896*	*60,986*	*8*	*6*	*(2)*

Total authorities were 5% higher than planned spending. This increase is attributable to the reprofiling of $3.6 million in funding from 2009-2010 to 2010-2011.

Actual expenditures for 2010-2011 were 22% lower than the authorities obtained. Actual expenditures depend on progress in the completion of projects. Under the agreement signed with the Government of Canada, the Quebec government is the implementing authority for RInC. Unused funding has therefore been carried forward to 2011-2012.

RInC expected results[29]	**Performance indicators**	**Targets**	**Performance status[30]**
Increase in economic opportunities	Demonstration of the link between projects and economic opportunities	The impact is seen through examples or case studies	Met all expectations
Partnership with Quebec and communities	Level of investment by other participants (province, municipalities, etc.) compared with federal contribution	For each $1 of federal contribution, at least $2 comes from other partners	Met all expectations (For $1 in federal contribution, $2.85 comes from other partners)
Increase in construction activities related to recreational infrastructure	Number of projects successfully completed	Some 180 projects	Met all expectations (209 projects approved)

[28] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

[29] This table contains information relating solely to CEAP.

[30] In the RPP 2010-11, RInC-related performance targets were established on the basis of the results expected at the end of the RInC program, initially scheduled for March 2011. As RInC was extended to October 31, 2011, the results presented in this Report constitute preliminary results for RInC since they are the results attained as at March 31, 2011. The results obtained met expectations, and show that the targets are in the process of being met.

INITIATIVE: *CONTRIBUTION PROGRAM TO SUPPLY THE MUNICIPALITY OF SHANNON WITH DRINKING WATER*

2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[31]	Actual expenditures	Planned resources	Actual resources	Variance
7,345	*6,908*	*6,908*	–	–	–

Total authorities for 2010-2011 are 6% lower than planned spending, whereas actual expenditures correspond to total authorities. The variance is attributable to the fact that certain work scheduled for 2010-2011 was brought forward to 2009-2010.

Shannon expected result[32]	**Performance indicator**	**Target**	**Performance status**
Rural and urban communities have quality public infrastructure	Number of municipalities connected to quality drinking water systems	1	Met all expectations (1)

Performance summary and analysis of program activity

The Agency contributes, through the delivery of several federal programs, to the upgrading of infrastructure in Quebec, in line with Government of Canada priorities. For instance, RInC, announced in January 2009 and administered by the Agency, is a CEAP initiative intended to provide short-term economic stimulus. Initially scheduled to last two years, this program has helped increase construction activity for the refurbishment of many recreational infrastructure facilities in Quebec, as well as creating jobs. In December 2010, the Government of Canada made the decision to extend the program so as to enable certain projects, on the basis of defined criteria, to be continued. RInC will therefore now be terminating on October 31, 2011.

The performance obtained by the Agency in 2010-2011 with respect to the *Infrastructure* program activity met all expectations. It also met one of the Agency's priorities in 2010-2011: *Facilitate communities' adjustment to economic shocks.*

Performance observed from projects funded in 2010-2011

A total of 209 projects were approved under RInC. As of March 31, 2011, 128 projects were finished, with the others to be completed as of October 31, 2011. Total federal contributions for RInC projects stood at $75.7 million, for $291.5 million in total costs.[33]

[31] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

[32] This table contains information relating solely to CEAP.

[33] As RInC will be continuing until October 31, 2011, it is possible that the amount of financial contributions and end-of-program results may vary from what is reported in this DPR. A summary of RInC presenting the program's final performance status may be presented in the DPR 2011-2012.

Among RInC projects contributing to a community's economic and sports-related growth:

Development of a synthetic surface for the sports field at Polyvalente des Baies school

Description: Installation of a synthetic surface for an existing soccer and football field at Polyvalente des Baies school, in partnership with the Quebec government and the municipality of Baie-Comeau.

Agency contribution: $957,570 out of total costs of $3 million

Main result: Specialized sports venue better adapted to weather variations, ensuring a greater number of hours of use during the season.

The *Contribution program to supply the Municipality of Shannon with drinking water*, an initiative implemented under CEAP, enabled the municipality of Shannon to obtain a $13.3-million non-repayable financial contribution for establishment of a water supply system fed by a groundwater source, construction of a reservoir and a pumping station, and maintenance of the network for the next 20 years. Of this amount, $6.4 million was spent in 2009-2010, and $6.9 million was earmarked for 2010-2011.

More specifically, Phase 1 of the program ($6.4 million for fitting up of wells and construction of the pumping station, reservoir and aqueduct) was finished on March 31, 2010. Phase 2 ($6.9 million for construction of the aqueduct along Highway 369 and maintenance of the network for the next 20 years) completed the project in 2010-2011. The program will thus enable 900 households, or close to 2,400 residents of the municipality of Shannon, to have access to a quality drinking water system.

The Agency is also one of the federal partners responsible for the delivery of certain infrastructure programs through service agreements with Infrastructure Canada. In this context, over the past year the Agency continued implementation of the *Building Canada Fund* (BCF) and the supplement to the BCF *Communities* component, which notably involved the introduction of projects for revitalization or construction of infrastructure for water supply, sewer systems and drinking water and wastewater treatment. The Agency also continued to manage the *Municipal Rural Infrastructure Fund* (MRIF) and the ICP, which is currently in its end phase. Highlights of performance with respect to the BCF and MRIF may be found in Infrastructure Canada's DPR.[34]

[34] Refer to the Infrastructure Canada Web site at www.infc.gc.ca.

Lessons learned

With a view to optimizing delivery of its programs, the Agency over the past year adapted its management tools and practices for specific infrastructure programs. For instance, for certain programs, the Agency enhanced its practices for monitoring progress in infrastructure work by including in them tracking of progress of physical work. This revision of management practices was carried out with support from partner Government of Quebec departments, which acted as the link between the federal government and recipients.

2.4 Program activity: *Special intervention measures*

Description of program activity

This program activity assists communities and regions undergoing major economic shocks. In such situations, when additional dedicated funding is made available from the Government of Canada, the Agency temporarily puts in place special adjustment measures enabling communities to support their economic activity and initiate steps to help them find a new balance or economic stability.

Canada's Economic Action Plan initiative

INITIATIVE: *COMMUNITY ADJUSTMENT FUND (CAF)*
2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[35]	Actual expenditures	Planned resources	Actual resources	Variance
110,171	*107,807*	*108,511*	*35*	*35*	*0*

The differences between planned spending, total authorities and actual expenditures for 2010-2011 involve operating costs, and represent minimal variance under normal management of operations.

CAF expected result[36]	**Performance indicators[37]**	**Targets**	**Performance status[38]**
Communities' adjustment to economic shocks	Number of projects / initiatives generated	No target established	(231)
	Value of investment generated in enterprises or communities	No target established	($357.8 million)
	Number of communities which have increased or enhanced their opportunities	No target established	(155)

[35] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Performance summary and analysis of program activity

The financial crisis of fall 2008 and the ensuing economic crisis had an impact on the global economy. Along with all industrialized nations, Canada and Quebec were no strangers to the global economic downturn, experiencing their worst economic recession in 20 years. The 2009 federal budget gave the Agency more than $200 million in funding, over two years, for implementation of the *Community Adjustment Fund* (CAF).

In the context of tighter credit from banks, many SMEs have indeed turned toward government funds offered for supporting the economy, including the CAF. Under this initiative, $108.5 million was spent in 2010-2011, bringing total expenditures over the past two years to some $207.9 million.

The CAF was set up to help communities hard hit by the recession and struggling with substantial job losses. Its purpose was to mitigate the impact of the recession and the weak economic recovery by contributing to the creation and maintenance of employment, particularly in regions where job opportunities were more limited. In this regard, more than half of CAF funding was devoted, by means of Canada-Quebec Agreements, to communities affected by difficulties in the forestry sector. The CAF terminated on March 31, 2011.

The performance obtained by the Agency in 2010-2011 with respect to *Special intervention measures* program activity met one of the Agency's priorities in 2010-2011: *Facilitate communities' adjustment to economic shocks.*

Performance observed from projects funded in 2010-2011

The CAF was delivered by the Agency, directly to promoters, through existing programs, *Community Diversification* and *Business and Regional Growth.* A total of 231 projects were carried out, generating $357.8 million in investment in 155 communities. Aside from projects with NPOs, Agency financial support helped create, maintain or develop 190 enterprises, which increased or enhanced their development opportunities.

According to Department of Finance Canada estimates, CEAP, including related provincial and territorial measures, led to the creation or maintenance of more than 220,000 jobs across Canada.[39]

[36] This table contains information referring solely to CEAP.

[37] Under CEAP, employment data are calculated by the Department of Finance Canada.

[38] Since no target was established in the RPP 2010-11 for the performance of the *Community Adjustment Fund*, the performance status cannot be rated.

[39] These data are taken from *Canada's Economic Action Plan, Year 2, Built to keep our economy growing: A Seventh Report to Canadians*, January 2011, www.fin.gc.ca/pub/report-rapport/2011-7/index-eng.asp. There are no employment data specifically for the CAF and for each province.

Among projects supported targeting job creation:

Bleu Lavande Inc.

Description: Acquisition of equipment necessary for manufacturing, packaging and distribution activities, and execution of leasehold improvements in new premises in order to respond more effectively to the challenges associated with this Estrie enterprise's rapid growth.

Agency contribution: $230,000 out of total costs of some $2 million

Furthermore, seven *Canada-Quebec Agreements – Job Creation Initiatives* signed in 2009 have led to the creation and maintenance of jobs through silvicultural operations carried out in public and private forests and restoration of bridges and culverts on forest multi-use roads in the different regions of Quebec.

- Under the first six agreements, silviculture work was carried out, particularly for the rehabilitation of poorly regenerated areas, rehabilitation of hardwood forests and intensive silviculture operations. The projects implemented through these agreements were the subject of consultation among local stakeholders. The joint contribution of the Government of Canada and the Government of Quebec amounted to $200 million over two years. The Agency paid out $59 million in 2009-2010 and $48.1 million in 2010-2011.

- Under the seventh agreement, restoration work was performed on watercourse crossings on forest multi-use roads on Quebec public lands. Several Quebec regions have benefitted from this joint funding, for which the Agency's contribution amounted to close to $12 million, of which $7.4 million was spent in 2010-2011.

Lessons learned

The Agency set up the CAF through the existing *Community Diversification* and *Business and Regional Growth* programs. This made it possible to facilitate the processing of funding applications and accelerate the process of awarding funding to communities and SMEs. The speed with which the Agency implemented this initiative proved crucial, since at the time of the economic downturn in 2009-2010, enterprises' needs were pressing.

In fact, in a context of limited access to credit from banks, CAF criteria and terms and conditions (level of assistance, and eligible expenditures and clientele) were also developed so that the initiative could be more easily accessible for Quebec communities and SMEs, with a view to helping Quebec's regions weather the economic downturn.

2.5 Program activity: *Enterprise competitiveness*

Description of program activity

This program activity helps enterprises perform better and be more competitive by enhancing productivity and increasing earned revenue; this contributes to creating conditions conducive to sustainable growth.

Two objectives underpin this program activity. The first, *Development of enterprises' capacity*, fosters the improvement of capabilities with respect to management, innovation, adoption of advanced technology, market development, and integration with globalized production chains. In particular, it encourages support for organizations dedicated to improving the strategic capabilities of small and medium-sized enterprises (SMEs) in order to enhance their performance and contribute to their adjustment. The second objective, *Strategic enterprises*, supports the establishment and first phases of expansion of enterprises in economic activities deemed strategic for a region's development so as to consolidate its economic base.

This program activity is targeted primarily at SMEs and NPOs, and is supported by the *Business and Regional Growth* grant and contribution program.

2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[49]	Actual expenditures	Planned resources	Actual resources	Variance
73,759	*107,749*	*86,375*	*46*	*50*	*4*

Total authorities are 46% higher than planned spending. This increase is primarily attributable to the awarding of new funding to support vulnerable communities, through the *Business and Regional Growth* program, and for implementation of the TISQFE.

The 20% variance between total authorities and actual expenditures is explained by the fact that contribution applications were submitted less quickly than anticipated. Part of the unused funding was carried forward to 2011-2012.

[49] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Program activity expected result	Performance indicators	Targets	Performance status
Enterprises assisted are high-performance and competitive	Number of enterprises involved in an approach to strategic management, market development or value chain management	1,550	Exceeded expectations (2,186)
	Number of innovative enterprises involved in an innovation management approach	200	Somewhat met expectations (157)
	Number of innovative enterprises in startup or pre-startup phase	125	Exceeded expectations (168)
	Number of large corporations targeted whose investment has a significant impact on jobs or surrounding enterprises	6	Exceeded expectations (13)

Performance summary and analysis of program activity

Over the past year, whereas the economic recovery was fragile, Agency intervention supported SMEs in their efforts toward growth and enhanced competitiveness by supporting, in particular, projects aimed at increased innovation capability, market development, integration with value chains and adoption of advanced technology.

Overall, the performance obtained by the Agency in 2010-2011 with respect to the *Enterprise competitiveness* program activity surpassed the expectations presented in the RPP 2010-11. It met one of the Agency's priorities in 2010-2011: *Support the economy of tomorrow by strengthening SMEs' productivity and performance.*

The total value of the 451 projects under this program activity in 2010-2011 amounted to $943.4 million, of which $194.9 million came from the Agency on a multiyear basis. The leverage effect was therefore 3.84, meaning that for each $1 invested by the Agency, $3.84 was invested by the promoter and other funding sources. The Agency's leverage effect was thus higher than in 2009-2010, when it stood at 3.26.

Enterprises' strategic capabilities

Performance observed from projects funded in 2010-2011

In 2010-2011, the Agency supported, directly or through intermediary groups, the development of strategic capabilities and the implementation of development projects in 2,186 enterprises, including 158 in strategic management, 1,141 in market development and 887 in value chain management. The Agency also supported 157 enterprises involved in an innovation management approach, representing 43 enterprises fewer than anticipated. This may be attributable in particular to the low rate of commercialization of innovation in Quebec compared with other provinces, and to the difficult economic context, which did not encourage SMEs to invest in innovation projects.

Extent of achievement of targeted final results

Two years after Agency funding ended, 47% of enterprises receiving assistance since 2007 in the development of their strategic capabilities increased their sales, whereas 28% of enterprises increased their international sales. The strong Canadian dollar and difficulties encountered by SMEs with exporting to the USA, Canada's main economic partner, were factors that limited the results attained. In this context, just maintaining international sales was a challenge for enterprises. This may therefore have led enterprises to diversify their markets further.

Strategic enterprises

Performance observed from projects funded in 2010-2011

Despite the economic context of the past few years, the Agency supported 168 innovative enterprises in startup or pre-startup phase, as well as 13 major corporations whose investment should have a major impact on jobs or surrounding enterprises, in particular among local subcontractors.

Among strategic enterprises supported:

Centre québécois d'innovation en biotechnologie (CQIB)[41]

Description: The CQIB is a Laval-based business incubator specializing in life sciences and health technologies. It provides pre-startup and startup services for innovative enterprises.

Agency contribution: $1 million out of total costs of $8 million

Main results: Creation of three new enterprises incubated between 2008 and 2011, generating 38 jobs.

Temporary Initiative for the Strengthening of Quebec's Forest Economies

Of the 451 projects approved in 2010-2011 under the *Enterprise competitiveness* program activity, the Agency supported, through the TISQFE, 40 projects from communities affected by the forestry crisis totalling $11.3 million in contribution expenditures. Most of these projects targeted development of enterprises' capabilities with respect to value chain management and innovation management.

[41] This is an example of a project used in case studies conducted for the summative evaluation of the *Business and Regional Growth* program. The evaluation report will be completed in 2011-2012.

Canada's Economic Action Plan initiative

The *Canada Business Network* (CBN), supported under CEAP, comes under the *Enterprise competitiveness* program activity. Over the past year, the Agency spent $1.9 million for this initiative. More detailed information on CBN financial resources and performance is presented in section 2.9 (Summary of *Canada's Economic Action Plan* initiatives).

Lessons learned

In a period marked by a strong Canadian dollar and economic difficulties in the U.S., where a large share of Quebec enterprises' exports are shipped, support for those enterprises' development and market diversification is essential. Over the past year, the Agency thus helped a large number of enterprises develop their markets. Over the coming year, it will continue its support for projects likely to reinforce enterprises' ability to complete their globalization approaches successfully. The Agency will help them identify and develop new markets, commercialize their products and services more effectively on the international stage and develop business relations and profitable partnerships to contribute to enhancing their global competitiveness.

2.6 Program activity: *Competitive positioning of sectors and regions*

Description of program activity

This program activity improves the international competitiveness of regions by enhancing their competitive advantages on the world stage. It has two objectives. The first, *Growth poles*, develops and consolidates growth poles by fostering innovation and networking among knowledge players (universities and research institutes and centres, enterprises and groups of enterprises, and technology brokers), development of a critical mass of knowledge, and enhancement and transfer of technology.

The second objective, *International promotion of regions*, enhances the international competitiveness of Quebec regions through integrated promotion of locational factors (labour force, market access, infrastructure, costs, etc.), attraction of direct foreign investment and reinvestment by foreign enterprises already established in Quebec.

This program activity mainly targets small and medium-sized enterprises (SMEs) and non-profit organizations (NPOs) and is supported by the *Business and Regional Growth* grant and contribution program.

2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[42]	Actual expenditures	Planned resources	Actual resources	Variance
33,541	*39,847*	*39,413*	*30*	*29*	*(1)*

Total authorities are 19% higher than planned spending. This increase is primarily attributable to the awarding of new funds for supporting vulnerable communities, through the *Business and Regional Growth* program, and for implementation of the TISQFE. Actual expenditures correspond to total authorities.

Program activity expected result	Performance indicators	Targets	Performance status
Sectors and regions enhance their competitive positioning.	Number of clusters and networks in development	8	Exceeded expectations (21)
	Number of applied research projects and technology transfers completed	80	Exceeded expectations (263)

Performance summary and analysis of program activity

In supporting the development of competitiveness poles and the promotion of Quebec communities, the Agency has contributed to enhancing communities' international competitiveness and integrating them into the knowledge economy.

Overall, the performance obtained by the Agency in 2010-2011 with respect to the *Competitive positioning of sectors and regions* program activity surpassed the targets established in the corresponding RPP.

The total value of the 82 projects under this program activity in 2010-2011 amounted to $348.2 million, of which $126.4 million came from the Agency on a multiyear basis. The leverage effect was therefore 1.75, meaning that for each $1 invested by the Agency, $1.75 was invested by the promoter and other funding sources. The Agency's leverage effect was therefore lower than in 2009-2010, when it stood at 2.01.

[42] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Growth poles

Performance observed from projects funded in 2010-2011

In 2010-2011, the Agency made $2.3 million in contribution expenditures in support of 21 business networks and sectoral clusters in development in its priority areas. This support was aimed at the carrying-out of plans and studies with a view to developing their capabilities, as well as the implementation of development projects with enterprises.

The Agency also supported, in 2010-2011, 263 applied research and technology transfer projects.[43] In 2010-2011, a special effort was made by the Agency to help college technology transfer centres offer services to enterprises aimed at enhancing their innovation capabilities. The Agency spent more than $5 million, primarily for the purchase of specialized equipment, to support a dozen centres located in the Bas-Saint-Laurent, Mauricie and Saguenay–Lac-Saint-Jean regions. Once the projects are completed, 400 SMEs could benefit from the services provided by these centres.

The Agency supported technology transfer projects aimed at improving a sector's competitive positioning on the global stage. Among these projects:

Marine Biotechnology Research Centre (MBRC)[44]

Description: Support for the MBRC, located in the Bas-Saint-Laurent region, for its operation and the acquisition of specialized and complementary equipment to stimulate the growth of the marine biotechnology sector through research, development and innovation transfer.

Agency contribution: $3.3 million out of total costs of $13.2 million

Main results:

- Participation of 101 enterprises in technology transfer-oriented activities
- Acquisition of licences by four enterprises
- Spinning-off of two new enterprises
- Creation of 65 full-time jobs in technological enterprises

Extent of achievement of targeted final results

Since 2007, Agency support with respect to research and development centres has contributed to the completion of more than 1,000 research and technology development projects. In addition, completed technology transfers have contributed to 32 SMEs obtaining licences or adopting technologies.

[43] When the targets for 2010-2011 were established, two projects each generating an average of 100 technology transfers per year were not taken into consideration. This partly explains the variance between the target and the result obtained.

[44] This is an example of a project used in case studies conducted for the summative evaluation of the *Business and Regional Growth* program. The evaluation report will be completed in 2011-2012.

International promotion of regions

Performance observed from projects funded in 2010-2011

Over the past year, three international promotion organizations enhancing the locational factors of Quebec regions received Agency support. For instance, in 2010, Montreal International conducted a study on Montreal's main attractions.[45]

Extent of achievement of targeted final results

International projects for promotion of regions supported since 2007 have fostered the establishment of or reinvestment by 88 foreign enterprises in Quebec, as well as support for establishment or maintenance of 17 international organizations, 15 of which are still established. According to a study conducted for Montreal International, the recurrent net economic spinoffs from international organizations established in Montreal are significant. In 2007, the added value generated by international organizations established in Montreal was estimated at more than $193 million.[46]

Temporary Initiative for the Strengthening of Quebec's Forest Economies

Of the 82 projects supported in 2010-2011 which come under the *Competitive positioning of sectors and regions* program activity, the Agency supported, through the TISQFE, 10 projects targeted primarily at the execution of technology transfers for which contribution expenditures amounted to $4.1 million.

Lessons learned

The intensification of links between research institutions and organizations and SMEs contributes to enhancing the innovation capability of enterprises benefiting from technology transfers. In 2010-2011, the Agency began to intensify its support for technology transfer projects, in particular by supporting several college technology transfer centres. These efforts, which will continue during the next year, were initiated in order to meet one of the priorities established by the Agency for 2011-2012: *Help SMEs become more competitive.*

[45] The study *Attractiveness Indicators 2010-2011 – Greater Montreal* is available at: http://www.montrealinternational.com/publications-invest.

[46] SECOR Conseil, *Les retombées économiques associées aux activités des organisations internationales – une réactualisation pour l'an 2007* (Economic spinoffs associated with international organizations: update for 2007), submitted to Montreal International, February 2009.

2.7 Program activity: *Policies, programs and initiatives*

Description of program activity

This program activity enables Quebec's regions and communities to benefit from adapted, consistent and effective federal action that produces socio-economic spinoffs, notably by generating and disseminating economic development knowledge that is helpful to development agents and by seizing business and development opportunities. Four objectives underpin this program activity: analysis and research; policies and programs; representation and influence; and co-operation and collaboration.

2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[47]	Actual expenditures	Planned resources	Actual resources	Variance
5,271	*5,000*	*5,712*	*44*	*51*	*7*

The difference between planned spending, total authorities and actual expenditures represents minimal variance under normal management of operations.

Program activity expected result	Performance indicator	Target	Performance status
Quebec communities and regions benefit from adapted, consistent and effective federal action (Policies, programs and initiatives) that generates socio-economic spinoffs, and Quebec communities and regions can grasp development opportunities. The innovation commercialization process generates economic and social spinoffs in the medium and long term.	Extent to which policy analysis and policy research projects are helpful	Production and dissemination of knowledge on regional development issues, problems and best practices	Met all expectations

Performance summary and analysis of program activity

The performance obtained by the Agency in 2010-2011 with respect to the *Policies, programs and initiatives* program activity met expectations. In addition to generating and disseminating knowledge on regional development issues, problems and best practices, the Agency also took steps with regard to each of the objectives associated with the program activity, with a view to increasing communities' vitality and reinforcing the competitiveness and performance of Quebec enterprises and regions.

[47] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Analysis and research

The Agency helped development agents acquire the facts and data to inform their deliberations and facilitate decision-making with respect to development trends, challenges and issues. The main activities in this regard included:

- Implementation of the *Regional Development Study* program, whose objective is to generate and disseminate regional economic development knowledge that is helpful for development agents. Following the call for tenders issued in 2009, the Agency approved five projects, four of which had expenditures in 2010-2011.
- Agency participation in three research co-operation agreements leading to:
  - 14 studies and eight presentations with the International Trade and Investment Centre of the Conference Board of Canada;[48]
  - Eight studies with the Centre Métropolis du Québec;[49] and
  - 50 or so bulletins from the Smart Practices Innovation Network.[50]
- Holding of two round tables on the green economy and enhancement of natural resources, and on innovation and commercialization, organized by the Agency.[51]

Policies and programs

The Agency continued its efforts with respect to policies and programs, enabling it to cater to the needs of Quebec communities and regions through the development of adapted, coherent policies, programs, initiatives and guidelines. The main achievements of the past year in this regard were:

- Obtaining funds and implementing the TISQFE in order to strengthen and increase economic activity in areas affected by the forestry crisis by emphasizing job creation and maintenance, and increased performance by SMEs.
- Drafting of a strategic framework for program renewal, scheduled for 2012, in order to ensure that programs are in line with government priorities, the realities and challenges of Quebec regions and SMEs, and recognized new approaches in regional development.

[48] Available at: www.conferenceboard.ca/TIIC
[49] Available at: im.metropolis.net/frameset_e.html
[50] Available at: www.rqsi.ulaval.ca/ang/index.php
[51] Minutes of these meetings are available at: www.dec-ced.gc.ca/eng/publications/agency/tables.html.

Representation, influence and collaboration

In 2010-2011, the Agency continued its efforts with respect to representation, influence and collaboration. These efforts enabled Quebec regions and communities to take advantage of actions that influence government decisions with respect to economic development, so that they are better adapted to the specific realities of the regions. These efforts will also foster concerted action with federal partners and others as issues, needs or opportunities arise. More specifically, the efforts deployed by the Agency over the past year translated into:

- The conduct of seven trade missions, industry days or awareness days in which more than 200 enterprises participated within the framework of implementation of the *Industrial and Regional Benefits Policy* and the F-35 *Joint Strike Fighter Program.* For instance, the Agency organized a trade mission to France and Italy, in conjunction with the Department of Foreign Affairs and International Trade Canada and Natural Resources Canada. The purpose of this mission was to develop the French and Italian markets for wood products from Quebec enterprises.
- The Agency's participation in the work of the Territorial Development Policy Committee of the Organisation for Economic Co-operation and Development (OECD), which is the main international forum for discussion and exchange of experience in the field of regional policy.
- The Agency's participation in communities of practice of Quebec official language minority communities in order to strength communication links between Agency business offices and English-language community organizations. These activities come among other things under the *Economic Development Initiative*, which stems from the *Roadmap for Canada's Linguistic Duality 2008-2013.*
- Collaboration with representatives of national innovation and sustainable development funds and with energy policy development organizations, to target opportunities for optimizing Quebec's participation in the migration toward a green energy economy. The Agency also takes part in the interdepartmental working group on *Canada's Wind Technology Road Map*, which works on defining and drafting policy directions on wind energy and clean energy for the Government of Canada.
- Increased collaboration with the Quebec government within the context of implementation of the *Community Adjustment Fund* (CAF), the *Recreational Infrastructure Canada* (RInC) program and the *Initiative to Support International Cruise Development on the St. Lawrence and Saguenay Rivers.*[52] The Agency also collaborated with the Quebec government in order to promote Quebec sectors and enterprises within the context of major federal government projects, in order to maximize industrial spinoffs in Quebec.

[52] www.dec-ced.gc.ca/eng/programs/applying/cruise.html

Lessons learned

Over the past year, the Agency continued to exercise leadership in relation to other federal departments and agencies with respect to policies and representation for the advancement of initiatives and strategic projects in Quebec requiring their support and national decisions.

Through its liaison, representation and collaboration activities, the Agency contributes to attaining the government's priorities as well as increasing communities' vitality and reinforcing the competitiveness and performance of Quebec enterprises and regions. The Agency has intensified its liaison and collaboration efforts with the Quebec government, and with other institutions active in economic development.

2.8 Program activity: *Internal services*

Description of program activity

Internal services are groups of related activities and resources that are administered to meet the needs of an organization's programs and other general obligations. They include: management and monitoring services; communications services; legal services; human resources management services; financial management services; information management services; information technology services; real property management services; materiel management services; acquisitions management services; travel management services; and other administrative services. Internal services include only those activities and resources directed at the organization as a whole, and not those provided solely to a specific program.

2010-2011

Financial resources *(in thousands of dollars)*			Human resources *(FTEs)*		
Planned spending	Total authorities[53]	Actual expenditures	Planned resources	Actual resources	Variance
21,311	*23,621*	*23,895*	*146*	*165*	*19*

Total authorities are 11% higher than planned spending. This increase is largely attributable to the awarding of new funding for vulnerable communities and the TISQFE and the reprofiling of funds obtained in 2009-2010.

The difference between total authorities and actual expenditures is insignificant. This represents minimal financial variance under normal management of operations.

The $2.6-million difference between actual expenditures and planned spending primarily comprises salaries. Consequently, this amount funds the variance of 19 FTEs presented.

[53] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Management and monitoring services include the Agency's internal audit and evaluation services. The Agency's Departmental Audit Committee held several meetings in 2010-2011, allowing for discussions on a range of issues in the areas of risk management, internal control and governance. Committee members gained a high level of assurance that, overall, the appropriate mechanisms were in place on those fronts, in particular through the work performed on internal audit and reporting activities.

In 2010-2011, the Departmental Audit Committee reviewed several reports and mechanisms in place within the Agency. Thus, it advised the deputy head and other Agency stakeholders involved, particularly with respect to the following: the Agency's 2011-2012 risk profile, the *Three-year Risk-based Internal Audit Plan*, internal audit reports dealing with the efficiency and effectiveness of controls in place for delivering CEAP initiatives and those dealing with the management mechanisms associated with delivery of infrastructure programs, the Agency's financial statements, reports to Parliament (RPP, DPR), governance structure and integrated annual planning.

In 2010-2011, the members of the Departmental Evaluation Committee discussed evaluation-related issues, approved different evaluation frameworks and reports, and conducted follow-up on recommendations from prior evaluations. The work being carried out on evaluations of the *Community Diversification* and *Business and Regional Growth* programs was presented to the Committee on three occasions. Each of the issues defined in the *Evaluation Policy*, namely, timeliness, effectiveness, efficiency and savings, was the subject of a presentation. The observations drawn from these evaluations will be used to support the renewal of the Agency's programs.

2.9 Summary of *Canada's Economic Action Plan* initiatives

In 2009, in addition to its regular programming, the Agency implemented ad-hoc initiatives of two years' duration, in support of the communities and sectors hardest hit by the economic downturn.

Initiative: *Community Adjustment Fund* (CAF)

Since 2009, the CAF has helped mitigate the impact of the economic downturn in the short term by contributing to the creation and maintenance of jobs, while meeting challenges with respect to communities' transition and adjustment. Details concerning CAF performance and expenditures are presented in section 2.4 (*Special intervention measures*).

Initiative: *Recreational Infrastructure Canada* (RInC) program

The RInC program is a Canada-wide initiative aimed at contributing to mitigating the impact of the recent global recession by increasing the total value of construction activities associated with recreational infrastructure. While initially introduced as a two-year program, RInC has been extended by the Government of Canada until October 31, 2011. The goal of projects funded by this program is primarily to modernize, repair, replace or expand existing recreational infrastructure, such as swimming pools, arenas and sports fields. Details concerning RInC performance and expenditures are presented in section 2.3 (*Infrastructure*).

Initiative: *Contribution program to supply the Municipality of Shannon with drinking water*

The *Contribution program to supply the Municipality of Shannon with drinking water* led to the establishment of a drinking water system supplied from a groundwater source and construction of a reservoir and pumping station. Details concerning program performance and expenditures are presented in section 2.3 (*Infrastructure*).

Initiative: *Canada Business Network* (CBN)

2010-2011

Financial resources *(in thousands of dollars)*		
Planned spending	Total authorities[54]	Actual expenditures
–	*1,878*	*1,874*

As the RPP 2010-2011 went to press, the amount of planned spending for the CBN had not been determined.

Under CEAP, the Agency had planned $3.8 million in funding over two years for the two Canada Business Network service centres in Quebec: Info entrepreneurs in Montreal, and Ressources Entreprises in Quebec City. The Agency thus spent $1.9 million 2009-2010 and $1.9 million in 2010-2011 for the CBN. These service centres provide business information and referral services to guide entrepreneurs toward specialized resources. Over the past two years, Business Canada service centres have answered 56,143 information requests, 30,332 of them in 2010-2011.

[54] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

Initiative: *Pavillon de l'éducation physique et des sports* (PEPS) of Université Laval

2010-2011		
Financial resources *(in thousands of dollars)*		
Planned spending	Total authorities[55]	Actual expenditures
–	*750*	*1 277*

As the RPP 2010-11 went to press, the amount of planned spending for the PEPS had not been determined. The difference between total authorities and actual expenditures is attributable to the reprofiling to 2010-2011 of spending planned for 2009-2010.

The Agency has spent $4.5 million for Université Laval's PEPS, including $3.2 million in 2009-2010 and $1.3 million in 2010-2011. This funding has helped increase hosting capacity at major events and made it possible to provide broader sports programming.

[55] Parliamentary authorities are awarded by global votes. So authorities by program activity are estimates, and are presented as a guide only.

3 SUPPLEMENTARY INFORMATION

3.1 Financial highlights

The financial highlights presented in this report are intended to provide an overview of the Agency's operations and financial situation. The unaudited financial statements are prepared in accordance with accrual accounting principles.

The actual expenditures presented in the preceding tables were prepared on a cash basis, while the financial highlights that follow were prepared on an accrual basis. Tables reconciling these two accounting methods are presented in the Notes to the Agency's Financial Statements (Note 3).

Summary financial information as at March 31, 2011

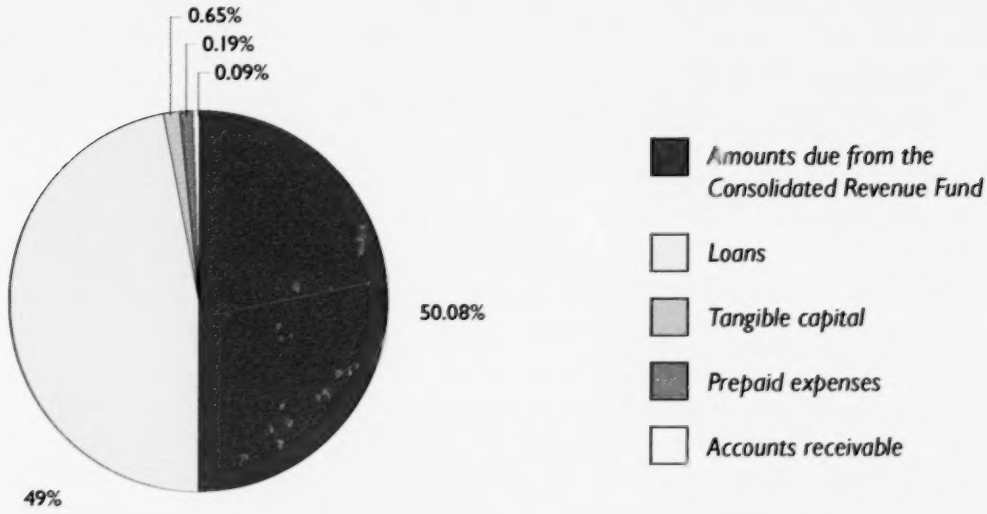
Condensed statement of financial position As at March 31, 2011 *(in thousands of dollars)*	**Percentage variance**	**2010-2011**	**2009-2010 (Restated)**
Total assets	73%	437,676	252,569
Total liabilities	158%	229,041	88,802
Equity of Canada	27%	208,635	163,767
	73%	**437,676**	**252,569**

Condensed statement of financial operations For the period ending March 31, 2011 *(in thousands of dollars)*	**Percentage variance**	**2010-2011**	**2009-2010 (Restated)**
Total expenditures	17%	403,814	346,605
Total revenues	(22%)	700	895
Net operating cost	17%	**403,114**	**345,710**

3.2 Financial highlights charts/graphs

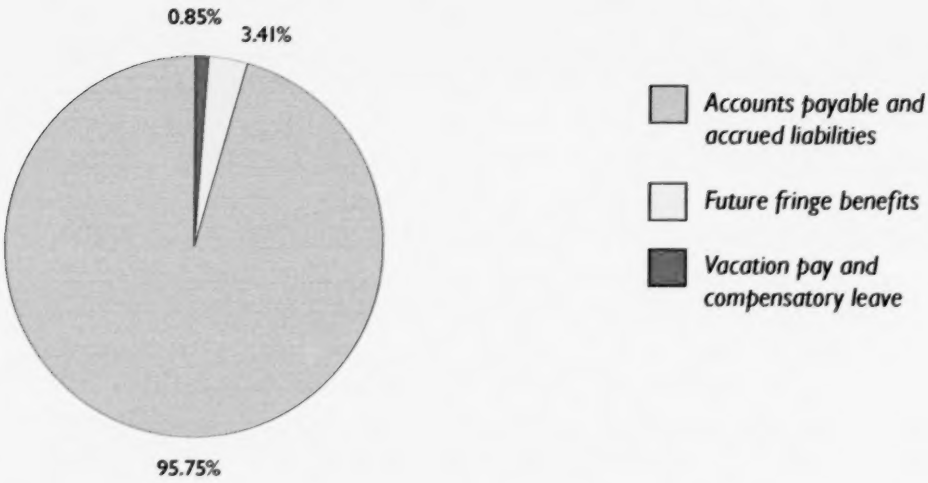
For the period ending March 31, 2011

3.2.1 Assets



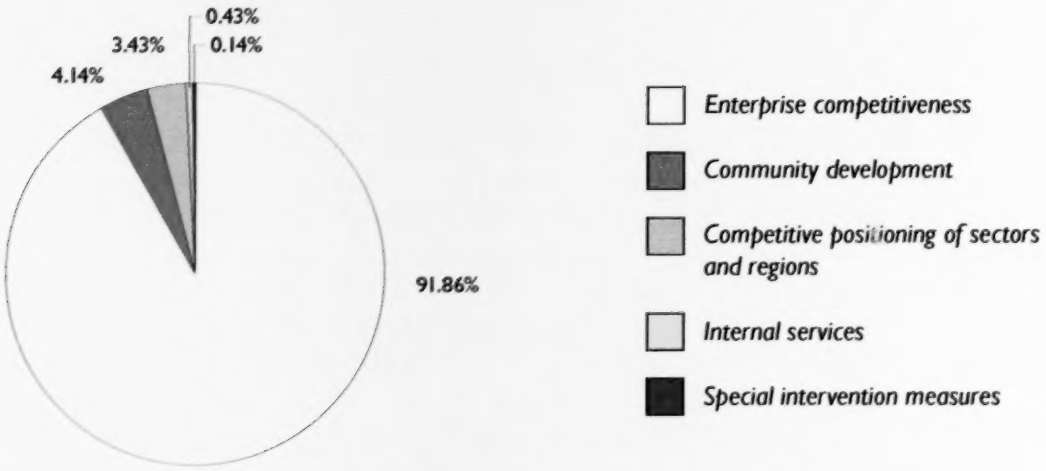
- As of March 31, 2011, assets stood at $437.7 million, up 73% from the previous year.
- Amounts due from the Consolidated Revenue Fund (CRF) and loans constitute the largest components of Agency assets, representing 50% and 49%, respectively, or $219.2 million for loans and $214.5 million in amounts due from the CRF. This increase is attributable to the increase in loans issued and the increase in amounts due from the CRF from accounts payable at year-end for which the Agency will be receiving funds in another fiscal year.
- Accounts receivable represented 0.1%, prepaid expenses 0.2% and tangible capital assets 0.7% of total assets.
- During 2010-2011, the Agency adopted the revised Treasury Board accounting policy TBAS 1.2: *Departmental and Agency Financial Statements*. Under this policy, the Agency is required to record amounts due from the Consolidated Revenue Fund as an asset on the Statement of Financial Position. With a view to complying with this policy, amounts due for 2009-2010 were also restated so as to facilitate comparison of data from one year to the next.

3.2.2 Liabilities



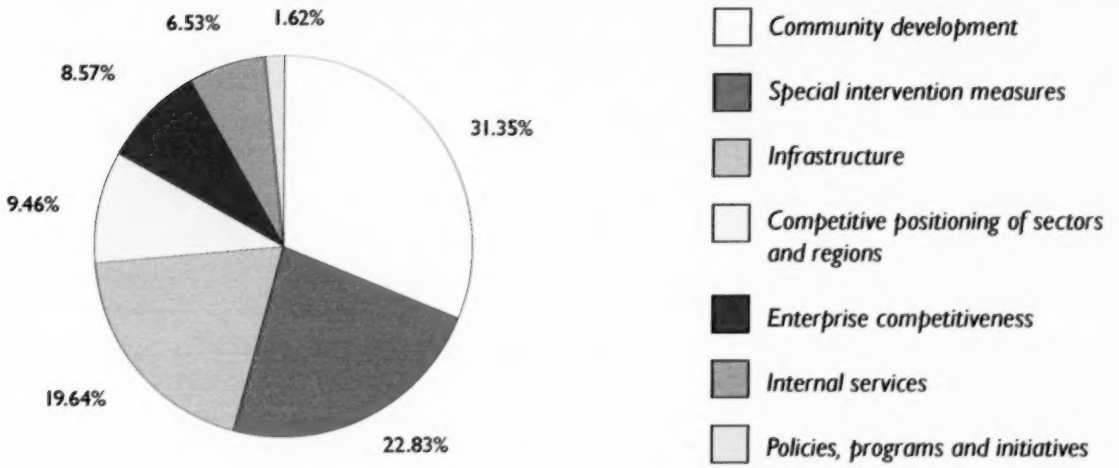
- Total liabilities amounted to $229 million at the close of 2010-2011, up 158% from 2009-2010. The increase is largely attributable to accounts payable at year-end, which rose by 173%, from $80.3 million in 2009-2010 to $219.3 million in 2010-2011. This increase stems from the marked rise in accounts payable under agreements with Infrastructure Canada, for which the Agency administers and delivers programs.
- Accounts payable and accrued liabilities accounted for the majority (95.8%) of liabilities, at $219.3 million.
- Vacation pay and compensatory leave stood at $1.9 million, and fringe benefits at $7.8 million.

3.2.3 Revenues



- Total revenues amounted to $700,000 in 2010-2011, down $195,000 dollars (22%) compared with the previous year.
- Agency revenues come mainly from interest collected and fees within the framework of transfer payments, which vary from year to year. Of revenues, 91.9% come under the *Enterprise Competitivess* program activity.

3.2.4 Expenses



- Total expenses amounted to $403.8 million in 2010-2011, up $57.2 million (17%) compared with the previous year.
- Expenses consist primarily of non-repayable and conditionally repayable contributions (totalling $310.6 million). The majority of funds ($126.7 million) were used for development of Canada's communities.
- The remaining funds broke down as follows:
  - *Special intervention measures*: $92.3 million
  - *Infrastructure*: $79.4 million
  - *Competitive positioning of sectors and regions*: $38.2 million
  - *Enterprise competitiveness* (SMEs): $34.6 million
  - *Internal services*: $26.2 million
  - *Policies, programs and initiatives*: $6.5 million
- Operating expenses rose by $1.6 million compared with 2009-2010. This increase is primarily attributable to a variation in salary expenses.

3.3 Financial statements

The Agency's unaudited financial statements for the year ended March 31, 2011 and the appendix containing the statement of management responsibility are available on the Agency's Web site at: www.dec-ced.gc.ca/eng/publications/agency/rmr.html.

3.4 Supplementary information tables

Electronic versions of all additional information tables featured in the DPR for 2010-2011 are available on the Treasury Board of Canada Secretariat Web site at: www.tbs-sct.gc.ca/dpr-rmr/2010-2011/index-eng.asp.

Table: Sources of Non-respendable Revenue
The table illustrates revenue and provides a historical perspective. Revenue consists primarily of repayments of the repayable contributions awarded by the Agency.

Table: User Fees
The table presents user fee revenue and costs.

Table: Details of Transfer Payment Programs (TPPs)
The table illustrates the results of TPPs in relation to commitments and planned results as set out in the 2010-2011 RPP where the amount of the transfer exceeds $5 million.

Table: Green Procurement
The table summarizes the initiatives and results attained by the Agency with respect to the integration of environmental performance considerations in procurement decision-making processes. Green procurement goals and results attained are also presented.

Table: Response to Parliamentary Committees and to External Audits
The table lists responses given to Parliamentary Committee reports, Auditor General of Canada reports and external audits concerning Agency activities in 2010-2011.

Table: Internal Audits and Evaluations
The table lists internal audit and evaluation reports.

4 OTHER ITEMS OF INTEREST

Agency programs:
www.dec-ced.gc.ca/eng/programs/index.html

Agency organization chart:
www.dec-ced.gc.ca/eng/agency/chart/organizational.html

Business offices:
www.dec-ced.gc.ca/eng/business-offices/business.html

List of appendices

The appendices may be consulted on the Agency's Web site:
www.dec-ced.gc.ca/eng/publications/agency/rmr.html

Appendix 1: Agency performance measurement methodology

Appendix 2: Technical notes on performance data and performance status rating

4.1 Contact information for the Agency resource-person

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